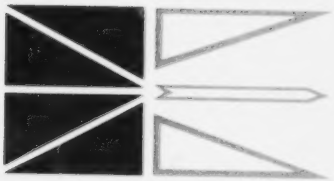
CHANGING TIDES



A Consultative Document on The Fishery of the Future

GOVERNMENT OF
NEWFOUNDLAND
AND LABRADOR
Department of Fisheries

March 1993

Summary

103-04484/

CHANGING TIDES

A Consultative Document on the Fishery of the Future

Government of Newfoundland and Labrador

March, 1993

PROVINCE OF
NEWFOUNDLAND
AND
LABRADOR

DEPARTMENT OF FISHERIES
OFFICE OF THE MINISTER

P.O. BOX 8700
ST. JOHN'S NFLD.
A1B 4J6

May 19, 1993

The exceptional circumstances that have battered the Newfoundland fishing industry in recent years have generated an unparalleled examination of the forces that drive the industry. That is as it should be, for there is not a single Newfoundlander or Labradorian who does not have either a direct or indirect vested interest in the ongoing performance of the fishery.

Problems plaguing the fishery were crystallized by one single event on July 2, 1992 when the unthinkable happened -- a moratorium was imposed on northern cod, the groundfish that has been the principal mainstay of our fishery and our economy for close to five centuries. This, in concert with the serious decline in other critical fish stocks such as Gulf cod, South Coast cod and Southern Grand Banks flatfish, has created a period of unprecedented structural adjustment -- not to mention serious social and economic disruption.

The emerging messages are clear:
Firstly, only rebuilt fish stocks will provide the industry with a measure of security for the long term; secondly, a fundamentally different approach to fishery management must be adopted; and thirdly, the Federal Government and the Government of Newfoundland and Labrador must jointly address basic fisheries policy issues, because joint fisheries management is essential to harmonizing the harvesting, processing and marketing policies that will place the industry on a more solid foundation.

Major public policy changes will be necessary if the fishery is to emerge as a vibrant and stable sector of the province's economy as fish stocks rebuild. Our principal challenge is to address the fundamental structural weaknesses which have tended to generate relative instability in the industry. This is the challenge my department accepted when we undertook a comprehensive analysis of all aspects of our fishing industry and developed this discussion paper, Changing Tides: A Consultative Document on the Fishery of the Future. It encompasses 39 proposals for a fisheries policy framework, the principal objective of which is to build a viable fishery that is regionally balanced, one that is stable and competitive in the absence of government subsidies, and one in which highly skilled plant workers and fishermen can earn an adequate income without dependence on income maintenance payments.

As its title states, Changing Tides is a consultative document, a set of policy proposals designed to generate discussion on how to shape the fishery of the future.

Changing Tides reflects proposed changes in stewardship of our fish resources. It proposes a policy framework for resource management, resource allocation, the harvesting and processing sectors, fisheries development, financial support, income stabilization, and employment.

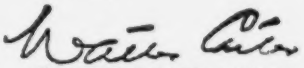
The policy framework concludes that a mixed inshore-offshore fleet and processing structure can best accommodate regional needs, and recommends that resource allocation policies reflect this structure. In the case of the northern cod fishery, it recommends a public hearings process to guide the allocation of that cod stock beyond a specific threshold level.

You are invited to share your views on shaping the fishery with us. We welcome your comments and suggestions on the proposed policy framework detailed in this document. Please let us know what you think.

Meanwhile, you are also invited to attend the public information meetings that will be held throughout the province to discuss the policy framework proposed in Changing Tides. We want to give as many people as possible the opportunity to study the document and present their views on its proposals. Once this process is completed, a white paper outlining Government's official policy positions will be developed. The times and locations of these meetings will be publicized.

Thank you for your interest in the proposed fisheries policy framework. I look forward to hearing from you.

Sincerely,



WALTER CARTER, M.H.A.
Minister

CHANGING TIDES: A SUMMARY

INTRODUCTION

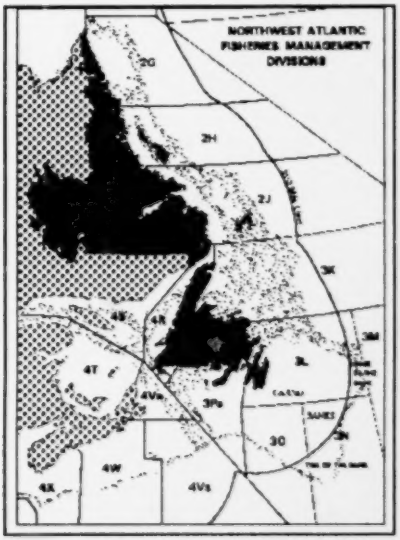
The Newfoundland and Labrador fishery is experiencing a period of unprecedented structural adjustment arising from severe resource declines. This will have major socio-economic implications for the province as a whole over the next decade or more. Industry prospects will depend primarily on measures taken to rebuild seriously depleted stocks. This policy framework addresses this issue from an overall resource perspective and is presented in a joint management context. The Province is of the firm view that a Canada/Newfoundland Fisheries Management Board must be established to give Newfoundland and Labrador a more direct involvement in all aspects of fisheries management and development.

The province's fishing industry harvested approximately 225,000 tonnes of all fish species in 1992, a dramatic decline from approximately 560,000 tonnes in 1986. Prospects for the foreseeable future are not encouraging, and effective policy measures are required to support adjustment capacity and employment adjustment. Over the 1988-1991 period approximately 5,000 plant workers and fishermen, primarily in the offshore sector, were displaced and further reductions will occur over the next several years in both the inshore and offshore sectors.

Measures that will help achieve a regionally balanced and stronger fishery are presented relative to such policy issues as resource management, resource allocation, fleet sector structure, joint management, vessel licensing, licensing of fishermen, and processing sector adjustment. Five-year total allowable catch projections to 1997 provide the principal reference point for proposed policy measures. These projections show that total fish landings will likely not exceed 350,000 tonnes by 1997. The role that each stock plays in the overall fishery is outlined and it is clear that rebuilding prospects for the large Northern cod (2J,3KL) stock and other key groundfish stocks will have a critical bearing on the industry's performance.

The policy framework concludes that a mixed inshore/offshore fleet and processing structure can best accommodate regional needs. It recommends that resource allocation policies reflect this structure and, in the case of the 2J,3KL cod fishery, a public hearings process is recommended to guide the future allocation of this resource. The framework document also concludes that the

rebuilding of Southern Banks stocks is also critical to the recovery of the offshore sector and the survival of those communities along the South Coast which are critically dependent on the offshore fishery.



The policy framework proposes that regulatory intervention, rather than a pro-active removal of capacity involving government funding, is the most appropriate option to address processing capacity. It further proposes that government assistance programs, particularly the Loan Guarantee Program, not be a vehicle to sustain marginal or redundant capacity within the industry. It also proposes that Fisheries Loan Board bounty and loan programs be restructured to meet present and projected harvesting capacity realities and that programs in support of fisheries development and aquaculture receive priority.

One of the most critical issues addressed within the policy framework related to employment dislocation and employment adjustment. It is concluded that the projected level of landings to 1997 will result in the displacement of a considerable number of industry participants, particularly in the processing sector. Overall, the industry cannot sustain the number of participants who have been attracted to the industry in recent years. Those with a very marginal attachment to the industry, for example, will no longer have the opportunity to maintain a presence in the industry. Upwards of 10,000 individuals in the processing and harvesting sectors will likely be displaced in the wake of quota and catch reductions over the next two to three years. This will be in addition to the approximately 5,000 displaced over the 1988-91 period.

The overriding conclusion reached by this proposed fishery policy framework document is that employment adjustment within the fishery must be pursued in relation to employment opportunities for men and women, both within and outside the fishery. Diversification within the fishery can provide new, but

limited, employment opportunities and, with older work and licence retirement programs, can contribute to employment adjustment. In the final analysis, however, economic diversification within the province's economy presents the only longer term option for those that will be displaced within the fisheries sector. In the absence of such diversification many regions of the province which have been sustained by the fishery will experience major adjustment challenges. From this perspective, however, the proposed fisheries policy framework is not a comprehensive economic development framework for the province as a whole. The Government of Newfoundland and Labrador's policy thrust in this area is outlined in its 1992 Strategic Economic Plan. This Plan will play a critical role in addressing those major economic adjustment challenges which are arising as a result of the resource crisis in the fisheries sector, and will require a truly collaborative approach by the Province and the Government of Canada.

POLICY OBJECTIVE

The primary objective of this fisheries policy framework is to build a viable fishery that is regionally balanced, stable and competitive in the absence of government subsidies and in which highly skilled plant workers and fishermen can earn an adequate income without dependence on income maintenance payments. The achievement of this fishery policy objective will require that rebuilding and conservation of the resource be pursued as a priority goal in the short term, and when rebuilt, stocks must be managed on a sustainable yield basis in order to provide greater assurances for industry and community stability.

POLICY MEASURES

Joint Management

1. The Government of Newfoundland and Labrador remains fully committed to the integration of federal and provincial fisheries management functions through the establishment of a Canada/Newfoundland Fisheries Management Board for all of Newfoundland and Labrador. This Board would derive its authority and regulatory capacity from both levels of government and would be structured in much the same manner as the Canada/Newfoundland Offshore Petroleum Board.

Resource Management

2. Resource conservation must be the principal concern in the establishment of quota levels and other management measures from year to year in order that specific stock rebuilding objectives are achieved within the shortest possible time frame.

3. Total allowable catch levels for all stocks must be established at levels consistent with scientific stock assessments and the fisheries science mandate of DFO should be given greater autonomy, preferably through the establishment of an independent Fisheries Research Board. This Board would complement the mandate of a Canada/Newfoundland Fisheries Management Board.

4. Comprehensive management and enforcement measures must be introduced to address the high incidence of fishing mortality among small fish in various fisheries with such measures to include conservation-oriented gear, more effective surveillance measures involving at-sea monitoring, and "zero tolerance" enforcement of fishing violations involving misreporting of catches, discarding and other unacceptable fishing practices.

5. In the absence of any marked improvement in the conduct of NAFO and non-NAFO fleet activity on the Nose and Tail of the Grand Banks, Canada should implement a custodial management regime in order to ensure the rebuilding of key straddling stocks.

Resource Allocation

6. Clearly defined fisheries allocation principles must guide fisheries management, and adjacency to the resource and historical dependence must be the underlying principles in resource allocation. A Canada/Newfoundland Fisheries Management Board is the most appropriate structure to address resource allocation issues.

7. The Province will continue to support a resource allocation framework that will help sustain a reasonable balance between the small boat sector and the larger vessel sector. The historical allocation of stocks between these fleet sectors should provide the general basis for stock sharing in the future.

8. In the case of the 2J,3KL fishery, the Province holds firmly that the traditional inshore fleet sector should receive, on an allowance basis, priority in

the management of this stock; and at a TAC level below 100,000 tonnes the Province will support a by-catch provision for the offshore fishery. The resource allocation policy for this stock, should it exceed 100,000 tonnes, should be guided by the federal/provincial public hearings process conducted in those regions of the province which have had a presence in the Northern cod fishery.

9. The Province, which is supportive of the principle of individual vessel/enterprise quotas (IQs) for larger fishing vessels, cannot support any permanent transfers of vessel or enterprise allocations from Newfoundland fishing enterprises to non-Newfoundland based operations which would involve a net loss of resources normally landed in the province.

10. The IQ framework is not a suitable fisheries management option for small boat fixed gear fisheries such as the Northeast Coast groundfish fishery. In the case of Northern cod, the Province remains firmly committed to this sector being managed on an "allowance" basis.

11. The sale of fish quotas should not be permitted and individual or corporate vessel quotas should not be assigned in perpetuity but reviewed periodically once issued.

Harvesting Sector

12. The Province will continue to support a mixed fleet sector, recognizing the role which the small and large vessel fishery plays in various regional fisheries. Resource allocation policies should reflect a mixed fleet structure and the relative historical participation levels of each fleet sector in any given fishery. In the case of Northern cod, the sharing of the resource above the 100,000 tonne level should be guided by a public hearings process.

13. Given the present imbalance between resource availability and existing harvesting capacity, the Province proposes to restructure its vessel assistance programs and direct funding primarily in support of vessel reconstruction. It is proposed that bounties for new vessels be discontinued and interest support for vessel acquisition will be reduced from present levels.

14. Inshore fishing vessel registrations should be restricted to full-time professional fishermen, and fishermen should be given the flexibility to obtain those vessels which are most appropriate in terms of fisheries development objectives, safety and economic viability.

15. The vessel licensing framework should promote the consolidation of harvesting capacity in certain fleet sectors and the Province proposes to support such measures by addressing the outstanding loan obligations of those fishermen who may wish to retire from the industry and/or consolidate harvesting capacity.

16. Where practical, the Province supports full-time enterprises being licensed to fish a range of commercial species, but quota limitations in certain fisheries may still require limited entry licences for certain species.

17. The existing licensing regime should be replaced with a more structured categorization of fishermen based around the "professionalization" of fishermen, and only certified fishermen should be eligible for species licences and to register and operate commercial fishing vessels. New entrants would be required to have a minimum level of training.

18. The principles of professionalization in the harvesting sector of the fishing industry have considerable merit, primarily as a measure to more clearly define industry attachment and eligibility for specific programs and policy measures, such as industry support programs and licence eligibility.

19. The Province supports the professionalization/certification concept and is of the view that licensing and certification measures can best be addressed through a Canada/Newfoundland Fisheries Management Board.

Processing Sector

20. A freeze on new licences together with a prohibition on the transfer of licences except where a transfer would accommodate enterprise consolidation and capacity reduction. No incremental capacity increases would be authorized where plant consolidation is permitted under existing licences.

21. The withdrawal of inactive licences once any processing facility fails to meet specific operating criteria such as a period of inoperation for two years, except in extenuating circumstances beyond the control of the operator.

22. Where plant consolidation initiatives are undertaken by the private sector, licences associated with any redundant capacity resulting from such initiatives will be withdrawn.

23. The Province will divest of provincially-owned processing facilities, and proposes to decommission redundant plants. In the interim, lease fee arrangements for provincially-owned facilities would continue to be increased to more appropriately reflect commercial realities in order to provide greater equity with private sector facilities. No new publicly-owned processing facilities would be constructed.

24. Some reasonable inshore/offshore balance in regional processing capacity would be maintained and consideration will be given to the implementation of production controls on a plant/regional basis.

25. Pending the establishment of a Canada/Newfoundland Fisheries Management Board, the Province proposes to establish an independent Fish Processing Licensing Board as an interim measure to address all licensing decisions within an overall public policy framework established by Government, which would include regional balance considerations.

26. Loan guarantee and other financial assistance programs would not be available to support marginal operations and any financial assistance would be primarily directed in support of fisheries development opportunities.

Fisheries Development

27. Value-added/secondary processing programs will be continued and expanded where necessary to accommodate emerging product development opportunities.

28. A comprehensive resource exploration and development program will be sustained to ensure that underutilized resources are identified and fully developed where commercial opportunities arise.

29. Support programs to promote the further development of the aquaculture sector will be expanded both in terms of research and development and commercialization. Assistance in identifying, developing and promoting market opportunities will be a priority, including support for establishment of an umbrella marketing/promotion consortium(s) for the aquaculture sector.

30. In the area of quality enhancement, the Province, through its Fish Inspection Act, proposes to legislate fish buying practices and will require that processing plants engage or share the services of at least one certified quality

control specialist during their operating period. In the case of Fisheries Loan Board funding, there will be increased requirements for quality enhancement measures to be taken by vessel owners.

31. The Province will work closely with industry, particularly the inshore sector, through the Seafood Market Council, in the development of market support programs related to new product development, product promotion and market intelligence.

32. The Province will continue programs in support of the provision of appropriate fisheries infrastructure based on priorities related to industry requirements but will withdraw from the ownership and operation of fish handling/processing facilities.

Financial Support Framework

33. The Province's financial support framework for the fisheries sector will be focused primarily on specific adjustment objectives in order to facilitate and promote a realignment of both harvesting and processing capacity; new fisheries development opportunities will also be supported.

34. The Fisheries Loan Board will continue to be the vehicle through which an independent fleet sector, owned and operated by inshore fishermen, is maintained, but it is proposed that the principal programs of the Board would be restructured to reflect projected needs within the harvesting sector over the foreseeable future. It is also proposed that the Small Boat and Large Boat Bounty Programs would be terminated but the Rebuilding and Repair Bounty Program would be continued, as would the Direct and Guaranteed Loan Programs. Interest support would be provided only beyond a specific interest rate threshold. Minimum training requirements would be established as a prerequisite for future program funding which would only be available to professional fishermen.

35. The Deficiency Loan Guarantee Program will not be a vehicle to sustain weak or marginal enterprises on an ongoing basis or to sustain redundant processing capacity in any given region of the province.

36. The Province will support, through its licensing framework, the consolidation of plant capacity within the processing sector but will not fund the buy-out of redundant capacity and equity.

Income Stabilization

37. In the case of inshore harvesting sector, the Province, in the absence of any new income stabilization program, supports modifications to the existing UI Program that would more effectively address income fluctuations arising from cyclical inshore catches.

Employment Adjustment

38. The Government of Newfoundland and Labrador in June, 1992 released its comprehensive economic development strategy entitled Change and Challenge: A Strategic Economic Plan for Newfoundland and Labrador. This plan establishes the basis for economic recovery through sound, effective and focused long-term planning and addresses all sectors of the province's economy, including the dominant fisheries sector. In an overall fisheries context this action program involves two broad elements: first, the revitalization of the fishery itself, and second, diversification within and outside the fishery. Fishery revitalization will include initiatives to rebuild and protect the resource base, to restore and preserve the environment as it relates to fishery resources, and to increase economic efficiency through improved operational flexibility, capacity control, technological innovation, and better quality control. Education and training of industry participants will be an integral part of the entire fishery revitalization program and fisheries diversification will focus primarily on new opportunities in secondary processing, aquaculture, the recreational salmonoid fishery and the harvesting and processing of previously under-exploited fishery resources.

39. The Province will participate with the Government of Canada in a program for older worker adjustment in the harvesting and processing sectors of the fishing industry, and proposes to facilitate the voluntary retirement of licences by those individuals having financial obligations to the Fisheries Loan Board.